(i) Debt restructuring and fresh loan to farmers in distress

(ii) One Time Settlement scheme for small and marginal farmers

(iii) Fresh loan to farmer in arrears.

(iv) Institutional Credit to farmers indebted to money lenders.

The representatives of the banks assured that credit disbursement target set for the current year will be achieved.

Lending to priority sectors

1930. SHRIMATI SAVITA SHARDA:
SHRI S.S. AHLUWALIA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that there has been a minimum limit stipulated for commercial banks, both in public sector and private sectors for providing lending to priority sectors of economy, namely agriculture, cottage and small scale enterprises;

(b) if so, the details of the limit stipulated from time to time during the last five years;

(c) the occasions when the PSU and private sector banks fell short of meeting those stipulations with year-wise details along with volume of short falls;

(d) if so, the reasons therefor; and

(e) the action taken, if any, to substitute the credit needs of the priority sector in those years?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM):(a) and (b) The target of 40 percent of net bank credit has been stipulated for lending to the priority sector by scheduled commercial banks, both in the public and private sector, since March 1985. Within this, a sub-target of 18 percent of net bank credit has been stipulated for lending to agriculture. Although, there is no specific target stipulated for domestic banks for lending to Small Scale Industries and cottage industries, which are part of priority sector, they have been advised to ensure that out of their total funds lent to SSI sector, at least 40%

should be made available to units with investment in plant and machinery up to Rs. 5 lakh and 20% should be made available to units with investment in plant and machinery between Rs. 5 and Rs. 25 lakh.

(c) and (d) The public sector banks, as a group, has achieved the priority sector lending target of 40 per cent during the last five years. The private sector banks, as a group, has achieved the target during the last three consecutive years but not in the years 2000-01 and 1999-2000. As regards the agriculture lending target of 18 per cent, both the public and private sector banks, as groups, have not achieved during the last five years. The outstanding advances to the priority sector including, agriculture sector by public and private sector banks, as on the last reporting Friday of March 2000, March 2001, March 2002, March 2003 and March 2004 are given in the statement. (*See* below). The reasons for not achieving the stipulated targets are given below:

(i) Bank credit to other sectors was growing at a faster rate;

(ii) Low capital formation in agriculture resulting in poor credit obsorption capacity in many years;

(iii) Inadequate irrigation faclities, low level of farm mechanization and absence of marketing organization for marketing of produce particularly cash crops;

(iv) Infrastructural bottleneck due to prevailing geographical condition;

(v) Crash in prices of various agricultural commodities such as coffee, rubber etc., has adversely affected the credit off-take in agriculture;

(vi) Write-off of non-performing loans leading to reduction in the outstanding advances in the case of some banks;

(vii) Banks having large number of branches in the North Eastern Region had an added disadvantage as low recovery rates and lack of infrastructure adversely impacted credit delivery;

(viii) Unsatisfactory financial position of rural financial institutions has affected flow of credit to agriculture;

(ix) The drought situation in many States.

(e) The domestic scheduled commercial banks, both in the public and private sectors, having shortfall in lending to priority sector including, agriculture sector, are required to deposit in Rural Infrastructure Development Fund (RIDF) established with NABARD the amount allocated to them by Reserve Bank of India. The RIDF has been extended on a year-to-year basis by announcements in the Union Budget and has completed its nine years of operation. These funds are used by NABARD to provide loans to the State Governments and State-owned Corporations for quick completion of on-going projects relating to minor and medium irrigation, soil conversation, watershed management and other forms of rural infrastructure.

Statement

Details of outstanding advances to the priority sector by public and private sector banks

PUBLIC SECTOR BANKS (Amounts in Rs. crore)

As on the last Reporting Friday of	March 2000	March 2001	March 2002	March 2003 (provisional)	March 2004 (provisional)
Net Bank Credit	316427	341291	396954	477899	558849
total priority sector advances	127478 (40.3%)	149116 (43.7%)	171185 (43.1%)	203095 (42.5%)	245672 (44.0%)
Volume of shortfall in priority sector lending target	-	-	-	-	-
Total advances to	45296	53571	63082	73507	86187
agriculture	(14.3%)	(15.7%)	(15.9%)	(15.3%)	(15.4%)
Volume of shortfall in agriculture lending target	11708	7850	8336	12903	14530

PRIVATE SECTOR BANKS (Amounts in Rs. crore)

As on the last Reporting Friday of	March 2000	March 2001	March 2002	March 2003 (provisional)	March 2004 (provisional)
Net Bank Credit	46521	56482	62810	77571	111635
total priority sector advances	18348 (39.4%)	21567 (36.7%)	25709 (40.9%)	36705 (44.4%)	52861 (47.3%)
Volume of shortfall in priority sector lending target	279	1864	-	-	-
Total advances to	4481	5634	8022	11873	17652
agriculture	(9.63%)	(9.6%)	(8.5%)	(10.8%)	(12.3%)
Volume of shortfall in agriculture lending target	3894	4744	5967	5585	6363

#Indirect agriculture is reckoned only up to 4.5% of Net Bank Credit.
Note: Figures in brackets denote percentage to Net Bank Credit.

Inflation Rate

1931. SHRI KALRAJ MISHRA:
SHRI S.M. LALJAN BASHA:
SHRIMATI SAVITA SHARDA:
SHRI DARA SINGH:
SHRI V. HANUMANTHA RAO:
SHRI MURLI DEORA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that rate of inflation on the 6th November, 2004 was recorded at 7.76 per cent;

(b) if so, what are the reasons for the RBI's inability to use monetary tools to control inflation;